



## Molemole Municipality

Molemole Local Municipality  
(Registration number LIM353)  
Financial statements  
for the year ended 30 June 2019

# Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2019

## General Information

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### Legal form of entity

Local Government

### Nature of business and principal activities

Performing the functions as set out in the Constitution (Act no 105 of 1996). Providing municipal services and maintaining the best interests of the local community mainly in the Mogwadi area.

### Mayor

Cllr M E Paya

### Councillors

Cllr E M Rathaha

Cllr M S Moreroa

Cllr N W Seakamela

Cllr M P Tawana

Cllr M D Lehong

Cllr N F Rampyapedi

Cllr M A Kobo

Cllr P T Rathete

Cllr R L Mpati

Cllr S R Nakana

Cllr M Q Malema

Cllr M J Manthata

Cllr G M Sepheso

Cllr N S Ramukhubedu

Cllr S E Kobola

Cllr M Duba

Cllr P S Masoga

Cllr M P Makgato

Cllr M L Moabelo

Cllr N M Hopane

Cllr D Matlou

Cllr N G Makgalo

Cllr M A Makgoka

Cllr T Raphaswana

Cllr M D Marutha

Cllr M I Mohafe

Cllr M D Meso

Cllr P T Rakimane

Cllr M J Leferela

Cllr M C Matjee

Cllr M P Tloubatla

### Business address

303 Church Street

Mogwadi

0715

### Grading of local authority

Level 3 Local Municipality

### Chief Finance Officer (CFO)

Miss Khanyisile Zulu

### Accounting Officer

Mr. ML Mosena

### Postal address

Private Bag X44

Mogwadi

0715

## **Molemole Local Municipality**

(Registration number LIM353)

Financial Statements for the year ended 30 June 2019

### **General Information**

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**Bankers**

Nedbank

**Auditors**

Office of the Auditor General (Limpopo)

**Website Address**

[www.molemole.gov.za](http://www.molemole.gov.za)

**Email Address**

[info@molemole.gov.za](mailto:info@molemole.gov.za)

**Audit Committee chairperson**

**Mr SA Ngobeni**

**Audit Committee members**

Ms TE Monobe

Mr ID Maredi

Mr TA Lekoloane

# Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2019

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The reports and statements set out below comprise the financial statements presented to the Municipal Council and the provincial legislature:

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COIDA	Compensation for Occupational Injuries and Diseases Act
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance and Risk officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
VAT	Value Added Tax



## Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2019

### Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

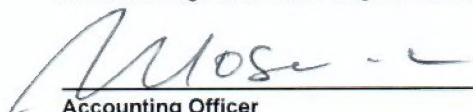
The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 5 to 71, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and were signed on its behalf by:

  
**Accounting Officer**  
**Mr ML Mosena**

# **Molemole Local Municipality**

(Registration number LIM353)

Financial Statements for the year ended 30 June 2019

## **Accounting Officer's Report**

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The accounting officer submits his report for the year ended 30 June 2019.

### **1. Going concern**

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### **2. Accounting policies**

The financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

# Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	8	194 483	160 959
Receivables from exchange transactions	9	4 259 248	4 034 687
Receivables from non-exchange transactions	10	62 271 509	56 175 056
VAT receivable	11	13 830 772	11 198 393
Cash and cash equivalents	12	19 373 721	41 581 134
		<b>99 929 733</b>	<b>113 150 229</b>
<b>Non-Current Assets</b>			
Investment property	3	1 701 001	1 744 335
Property, plant and equipment	4	251 738 014	211 930 315
Intangible assets	5	2 362 394	1 945 251
Heritage Assets	6	368 150	368 150
		<b>256 169 559</b>	<b>215 988 051</b>
<b>Total Assets</b>		<b>356 099 292</b>	<b>329 138 280</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	14	261 630	196 522
Payables from exchange transactions	19	21 105 906	19 349 953
Consumer deposits	20	503 126	502 526
Unspent conditional grants and receipts	15	2 234 275	4 276 606
Other current liability	17	1 663 337	1 809 795
Current Employee Benefits	18	6 556 429	6 717 510
		<b>32 324 703</b>	<b>32 852 912</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	14	251 676	513 306
Non-Current Employee Benefits	7	9 011 188	6 615 433
Provisions	16	14 807 115	14 095 590
		<b>24 069 979</b>	<b>21 224 329</b>
<b>Total Liabilities</b>		<b>56 394 682</b>	<b>54 077 241</b>
<b>Net Assets</b>		<b>299 704 610</b>	<b>275 061 039</b>
<b>Reserves</b>			
Revaluation reserve	13	47 614 111	41 894 856
Accumulated surplus		252 090 489	233 166 174
<b>Total Net Assets</b>		<b>299 704 609</b>	<b>275 061 038</b>

\* See Note 52



# Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

Figures in Rand

	Note(s)	2019	2018 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	22	9 870 892	10 064 112
Rental of facilities and equipment	23	456 493	346 468
Interest received - debtors	26	1 066 848	1 138 975
Commission Received	26	673 187	634 476
Licences and permits	25	3 517 122	2 508 607
Other income	28	257 775	315 892
Gain on disposal of assets	45	-	102 235
Actuarial gains	46	-	1 472 458
Interest received - external investment	29	1 820 125	1 575 122
<b>Total revenue from exchange transactions</b>		<b>17 662 442</b>	<b>18 158 345</b>
<b>Revenue from non-exchange transactions</b>			
Property rates	30	14 572 846	16 199 465
Government grants & subsidies	31	177 221 330	167 951 927
Traffic Fines	24	759 662	1 008 500
<b>Total revenue from non-exchange transactions</b>		<b>192 553 838</b>	<b>185 159 892</b>
<b>Total revenue</b>	21	<b>210 216 280</b>	<b>203 318 237</b>
<b>Expenditure</b>			
Employee related costs	32	(77 451 727)	(67 613 858)
Remuneration of councillors	33	(12 328 370)	(12 025 248)
Depreciation and amortisation	34	(8 931 839)	(7 861 221)
Finance costs	35	(1 154 598)	(1 191 476)
Debt Impairment	36	(4 662 472)	(1 325 169)
Bulk purchases		(9 419 063)	(9 172 581)
Contracted services	39	(27 401 824)	(23 018 427)
Loss on disposal of assets and liabilities	47	(1 550 539)	-
Actuarial losses	48	(1 537 201)	-
General Expenses	37	(46 854 332)	(39 352 062)
<b>Total expenditure</b>		<b>(191 291 965)</b>	<b>(161 560 042)</b>
<b>Surplus for the year</b>		<b>18 924 315</b>	<b>41 758 195</b>

\* See Note 52

# Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2019

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	41 894 856	191 557 241	233 452 097
Corrections of error - see note 52	-	(149 262)	(149 262)
<b>Restated Balance at 01 July 2017</b>	<b>41 894 856</b>	<b>191 407 979</b>	<b>233 302 835</b>
Surplus for the year	-	41 758 195	41 758 195
<b>Restated Balance at 01 July 2018</b>	<b>41 894 856</b>	<b>233 166 174</b>	<b>275 061 030</b>
<b>Changes in net assets</b>			
Revaluation of Land and Buildings	5 719 255	-	5 719 255
Surplus for the year	-	18 924 315	18 924 315
<b>Balance at 30 June 2019</b>	<b>47 614 111</b>	<b>252 090 489</b>	<b>299 704 600</b>
Note(s)	13		

\* See Note 52



# Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2019

## Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services	43	20 191 939	14 395 713
Grants	44	175 179 000	151 220 596
Interest Income		1 820 125	1 575 122
		<u>197 191 064</u>	<u>167 191 431</u>
<b>Payments</b>			
Suppliers	45	(173 102 726)	(145 649 496)
Finance costs		(1 154 598)	(1 191 476)
		<u>(174 257 324)</u>	<u>(146 840 972)</u>
<b>Net cash flows from operating activities</b>	42	<u><b>22 933 739</b></u>	<u><b>20 350 459</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(44 447 205)	(33 444 023)
Proceeds from sale of property, plant and equipment		737 730	514 395
Purchase of other intangible assets	5	(1 235 156)	(1 862 397)
<b>Net cash flows from investing activities</b>		<u><b>(44 944 631)</b></u>	<u><b>(34 792 025)</b></u>
<b>Cash flows from financing activities</b>			
Finance lease payments		(196 522)	-
Finance lease receipts		-	415 599
<b>Net cash flows from financing activities</b>		<u><b>(196 522)</b></u>	<u><b>415 599</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>(22 207 414)</b></u>	<u><b>(14 025 967)</b></u>
Cash and cash equivalents at the beginning of the year		41 581 135	55 607 102
<b>Cash and cash equivalents at the end of the year</b>	12	<u><b>19 373 721</b></u>	<u><b>41 581 135</b></u>

\* See Note 52

# Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Accrual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Accrual amounts on comparable basis	Difference between final budget and accrual	Reference
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	10 869 361	-	10 869 361	9 870 892	(998 469)	(9)% - 41.1
Rental of facilities and equipment	268 878	-	268 878	456 493	187 615	70 % - 41.2
Interest received	1 404 472	-	1 404 472	1 066 848	(337 624)	(24)% - 41.3
Commission Received	2 347 046	-	2 347 046	673 187	(1 673 859)	(71)% - 41.4
Licences and permits	-	-	-	3 517 122	3 517 122	100 - 41.5
Other income	27 387 835	17 348 574	44 736 409	257 775	(44 478 634)	(99)% - 41.6
Interest received - external investment	2 000 000	-	2 000 000	1 820 125	(179 875)	(9)% - 41.7
<b>Total revenue from exchange transactions</b>	<b>44 277 592</b>	<b>17 348 574</b>	<b>61 626 166</b>	<b>17 662 442</b>	<b>(43 963 724)</b>	

##### Revenue from non-exchange transactions

Property rates	14 480 287	-	14 480 287	14 572 846	92 559	1 %
Government grants & subsidies	166 180 979	13 055 000	179 235 979	177 221 330	(2 014 649)	(1)% -
Traffic Fines	7 856 104	-	7 856 104	759 662	(7 096 442)	(90)% 41.8
<b>Total revenue from non-exchange transactions</b>	<b>188 517 370</b>	<b>13 055 000</b>	<b>201 572 370</b>	<b>192 553 838</b>	<b>(9 018 532)</b>	
<b>Total revenue</b>	<b>232 794 962</b>	<b>30 403 574</b>	<b>263 198 536</b>	<b>210 216 280</b>	<b>(52 982 256)</b>	

#### Expenditure

Personnel	(84 760 535)	(12 138)	(84 772 673)	(77 451 727)	7 320 946	9 % - 41.9
Remuneration of councillors	(12 865 286)	-	(12 865 286)	(12 328 370)	536 916	4 % -
Depreciation and amortisation	(8 148 576)	-	(8 148 576)	(8 931 839)	(783 263)	(9)% - 41.10
Finance costs	(1 184 232)	-	(1 184 232)	(1 154 598)	29 634	3 % -
Debt Impairment	(5 506 700)	-	(5 506 700)	(4 662 472)	844 228	18 % - 41.11
Bulk purchases	(7 800 000)	-	(7 800 000)	(9 419 063)	(1 619 063)	(17)% - 41.12
Contracted Services	(27 981 801)	(4 388 124)	(32 369 925)	(27 401 824)	4 968 101	18 % - 41.13
General Expenses	(34 110 768)	(16 402 690)	(50 513 458)	(46 854 332)	3 659 126	8 % - 41.14
Loss on disposal of assets and liabilities	-	-	-	(1 550 539)	(1 550 539)	(100)% - 41.15
Actuarial Losses	-	-	-	(1 537 201)	(1 537 201)	(100)% - 41.16
<b>Total expenditure</b>	<b>(182 357 898)</b>	<b>(20 802 952)</b>	<b>(203 160 850)</b>	<b>(191 291 965)</b>	<b>11 868 885</b>	
<b>Surplus/Deficit</b>	<b>50 437 064</b>	<b>9 600 622</b>	<b>60 037 686</b>	<b>18 924 315</b>	<b>(41 113 371)</b>	



# Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Accrual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Accrual amounts on comparable basis	Difference between final budget and accrual	Reference
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Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	295 326	-	295 326	194 483	(100 843)	52 % - 41.17
Receivables from exchange transactions	19 811 041	-	19 811 041	4 259 248	(15 551 793)	365 % - 41.18
Receivables from non-exchange transactions	55 636 829	11 000 000	66 636 829	62 271 509	(4 365 320)	7 % - 41.19
VAT receivable	-	-	-	13 830 772	13 830 772	(100)% - 41.20
Current Portion of Long term Receivables	31 265	-	31 265	-	(31 265)	(100)% - 41.20
Cash and cash equivalents	28 985 760	(4 949 036)	24 036 724	19 373 721	(4 663 003)	24 % - 41.22
	<b>104 760 221</b>	<b>6 050 964</b>	<b>110 811 185</b>	<b>99 929 733</b>	<b>(10 881 452)</b>	

##### Non-Current Assets

Investment property	1 698 398	-	1 698 398	1 701 001	2 603	- % -
Property, plant and equipment	229 441 197	3 951 585	233 392 782	251 738 014	18 345 232	(7)% -
Intangible assets	4 993 453	(1 300 000)	3 693 453	2 362 394	(1 331 059)	56 % - 41.23
Heritage Assets	368 150	-	368 150	368 150	-	
	<b>236 501 198</b>	<b>2 651 585</b>	<b>239 152 783</b>	<b>256 169 559</b>	<b>17 016 776</b>	

#### Total Assets

	<b>341 261 419</b>	<b>8 702 549</b>	<b>349 963 968</b>	<b>356 099 292</b>	<b>6 135 324</b>	
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#### Liabilities

##### Current Liabilities

Finance lease obligation	294 221	200 000	494 221	261 630	(232 591)	89 % - 41.24
Payables from exchange transactions	35 902 737	-	35 902 737	21 105 906	(14 796 831)	70 % - 41.25
Consumer deposits	528 350	-	528 350	503 126	(25 224)	5 % -
Unspent conditional grants and receipts	-	-	-	2 234 275	2 234 275	(100)% - 41.26
Other current liability	-	-	-	1 663 337	1 663 337	(100)% - 41.27
Current Employee Benefits	396 468	-	396 468	6 556 429	6 159 961	(94)% - 41.28
	<b>37 121 776</b>	<b>200 000</b>	<b>37 321 776</b>	<b>32 324 703</b>	<b>(4 997 073)</b>	

##### Non-Current Liabilities

Finance lease obligation	-	-	-	251 676	251 676	(100)% - 41.29
Non-Current Employee Benefits	8 758 916	500 000	9 258 916	9 011 188	(247 728)	3 % -
Provisions	14 121 578	-	14 121 578	14 807 115	685 537	(5)% -
	<b>22 880 494</b>	<b>500 000</b>	<b>23 380 494</b>	<b>24 069 979</b>	<b>689 485</b>	

#### Total Liabilities

	<b>60 002 270</b>	<b>700 000</b>	<b>60 702 270</b>	<b>56 394 682</b>	<b>(4 307 588)</b>	
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#### Net Assets

	<b>281 259 149</b>	<b>8 002 549</b>	<b>289 261 698</b>	<b>299 704 610</b>	<b>10 442 912</b>	
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#### Reserves

Revaluation reserve	41 894 856	-	41 894 856	47 614 111	5 719 255	(12)% - 41.30
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## Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2019

### Statement of Comparison of Budget and Accrual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Accrual amounts on comparable basis	Difference between final budget and accrual	Reference
Figures in Rand						
Accumulated surplus	239 364 293	8 002 549	<b>247 366 842</b>	252 090 502	<b>4 723 660</b>	(2)%-
<b>Total Net Assets</b>	<b>281 259 149</b>	<b>8 002 549</b>	<b>289 261 698</b>	<b>299 704 613</b>	<b>10 442 915</b>	

# Molemole Local Municipality

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Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Accrual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Accrual amounts on comparable basis	Difference between final budget and accrual	Reference
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Figures in Rand

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Sale of goods and services	32 037 591	18 293 544	50 331 135	20 191 939	(30 139 196)	149 %-41.31
Government grants & subsidies	164 709 000	2 527 000	167 236 000	175 179 000	7 943 000	(5)%-
Interest received - external investment	3 439 997	(386 643)	3 053 354	1 820 125	(1 233 229)	68 %-41.32
	<b>200 186 588</b>	<b>20 433 901</b>	<b>220 620 489</b>	<b>197 191 064</b>	<b>(23 429 425)</b>	

##### Payments

Suppliers and employees	(123 223 784)	(51 142 782)	(174 366 566)	(173 102 726)	1 263 840	1 %-
Finance costs	(827 815)	(356 417)	(1 184 232)	(1 154 598)	29 634	3 %-
	<b>(124 051 599)</b>	<b>(51 499 199)</b>	<b>(175 550 798)</b>	<b>(174 257 324)</b>	<b>1 293 474</b>	

#### Net cash flows from operating activities

	<b>76 134 989</b>	<b>(31 065 298)</b>	<b>45 069 691</b>	<b>22 933 740</b>	<b>(22 135 951)</b>	
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#### Cash flows from investing activities

Purchase of property, plant and equipment	(50 437 065)	(9 600 621)	(60 037 686)	(44 447 205)	15 590 481	35 %-41.33
Proceeds from sale of PPE	-	-	-	737 730	737 730	(100)%-41.34
Purchase of intangibles	-	-	-	(1 235 156)	(1 235 156)	(100)%-41.35
	<b>(50 437 065)</b>	<b>(9 600 621)</b>	<b>(60 037 686)</b>	<b>(44 944 631)</b>	<b>15 093 055</b>	

#### Cash flows from financing activities

Finance lease receipts	-	-	-	(196 522)	(196 522)	(100)%-41.36
Net increase/(decrease) in cash and cash equivalents	25 697 924	(40 665 919)	(14 967 995)	(22 207 413)	(7 239 418)	
Cash and cash equivalents at the beginning of the year	39 004 719	-	39 004 719	41 581 135	2 576 416	(6)%-41.37
Cash and cash equivalents at the end of the year	<b>64 702 643</b>	<b>(40 665 919)</b>	<b>24 036 724</b>	<b>19 373 722</b>	<b>(4 663 002)</b>	



# Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2019

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2019</b>											
<b>Financial Performance</b>											
Property rates	14 480 287	-	14 480 287	-	-	14 480 287	14 572 846	-	92 559	101 %	101 %
Service charges	10 869 361	-	10 869 361	-	-	10 869 361	9 870 892	-	(998 469)	91 %	91 %
Investment revenue	2 000 000	-	2 000 000	-	-	2 000 000	1 820 125	-	(179 875)	91 %	91 %
Transfers recognised - operational	133 412 650	1 055 000	134 467 650	-	-	134 467 650	130 472 322	-	(3 995 328)	97 %	98 %
Other own revenue	39 264 335	17 348 574	56 612 909	-	-	56 612 909	6 731 087	-	(49 881 822)	12 %	17 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>200 026 633</b>	<b>18 403 574</b>	<b>218 430 207</b>	<b>-</b>	<b>-</b>	<b>218 430 207</b>	<b>163 467 272</b>	<b>-</b>	<b>(54 962 935)</b>	<b>75 %</b>	<b>82 %</b>
Employee costs	(84 760 535)	(12 138)	(84 772 673)	-	-	(84 772 673)	(77 451 727)	-	7 320 946	91 %	91 %
Remuneration of councillors	(12 865 286)	-	(12 865 286)	-	-	(12 865 286)	(12 328 370)	-	536 916	96 %	96 %
Debt impairment	(5 506 700)	-	(5 506 700)	-	-	(5 506 700)	(4 662 472)	-	844 228	85 %	85 %
Depreciation and asset impairment	(8 148 576)	-	(8 148 576)	-	-	(8 148 576)	(8 931 839)	-	(783 263)	110 %	110 %
Finance charges	(1 184 232)	-	(1 184 232)	-	-	(1 184 232)	(1 154 598)	-	29 634	97 %	97 %
Materials and bulk purchases	(7 800 000)	-	(7 800 000)	-	-	(7 800 000)	(9 419 063)	-	(1 619 063)	121 %	121 %
Loss on disposal of assets and liabilities	-	-	-	-	-	-	(1 550 539)	-	(1 550 539)	DIV/0 %	DIV/0 %
Actuarial Loss	-	-	-	-	-	-	(1 537 201)	-	(1 537 201)	DIV/0 %	DIV/0 %
Other expenditure	(62 092 569)	(20 790 814)	(82 883 383)	-	-	(82 883 383)	(74 256 156)	-	8 627 227	90 %	120 %
<b>Total expenditure</b>	<b>(182 357 898)</b>	<b>(20 802 952)</b>	<b>(203 160 850)</b>	<b>-</b>	<b>-</b>	<b>(203 160 850)</b>	<b>(191 291 965)</b>	<b>-</b>	<b>11 868 885</b>	<b>94 %</b>	<b>105 %</b>
<b>Surplus/(Deficit)</b>	<b>17 668 735</b>	<b>(2 399 378)</b>	<b>15 269 357</b>	<b>-</b>	<b>-</b>	<b>15 269 357</b>	<b>(27 824 693)</b>	<b>-</b>	<b>(43 094 050)</b>	<b>(182)%</b>	<b>(157)%</b>

## Molemole Local Municipality

(Registration number LIM353)  
Financial Statements for the year ended 30 June 2019

### Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	32 768 329	12 000 000	44 768 329	-	-	44 768 329	46 749 008		1 980 679	104 %	143 %
Surplus (Deficit) after capital transfers and contributions	50 437 064	9 600 622	60 037 686	-	-	60 037 686	18 924 315		(41 113 371)	32 %	38 %
Surplus/(Deficit) for the year	50 437 064	9 600 622	60 037 686	-	-	60 037 686	18 924 315		(41 113 371)	32 %	38 %
<b>Capital expenditure and funds sources</b>											
Executive and council	200 000	1 200 000	1 400 000	-	-	1 400 000	888 634		(511 366)	63 %	444 %
Finance and administration	3 750 000	2 607 336	6 357 336	-	-	6 357 336	2 615 528		(3 741 808)	41 %	70 %
Community and social services	-	486 346	486 346	-	-	486 346	444 010		(42 336)	91 %	100 %
Sport and recreation	8 710 052	(10 000)	8 700 052	-	-	8 700 052	6 142 854		(2 557 198)	71 %	71 %
Road transport	50 000	-	50 000	-	-	50 000	12 013		(37 987)	24 %	24 %
Waste water management	36 827 013	3 397 869	40 224 882	-	-	40 224 882	34 264 180		(5 960 702)	85 %	93 %
Energy sources	900 000	1 919 070	2 819 070	-	-	2 819 070	1 315 139		(1 503 931)	47 %	146 %
	50 437 065	9 600 621	60 037 686	-	-	60 037 686	45 682 358		(14 355 328)	76 %	91 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	32 828 350	15 765 898	48 594 248	-	-	48 594 248	38 798 613		(9 795 635)	80 %	118 %
Internally generated funds	17 608 715	(6 165 277)	11 443 438	-	-	11 443 438	6 883 705		(4 559 733)	60 %	39 %
Total sources of capital funds	50 437 065	9 600 621	60 037 686	-	-	60 037 686	45 682 318		(14 355 368)	76 %	91 %

# Molemole Local Municipality

(Registration number LIM353)  
Financial Statements for the year ended 30 June 2019

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	76 134 989	(31 066 297)	45 068 692	-	-	45 068 692	22 933 739		(22 134 953)	51 %	30 %
Net cash from (used) investing	(50 437 065)	(9 600 621)	(60 037 686)	-	-	(60 037 686)	(44 944 631)		15 093 055	75 %	89 %
Net cash from (used) financing	-	-	-	-	-	-	(196 522)		(196 522)	DIV/0 %	DIV/0 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>25 697 924</b>	<b>(40 666 918)</b>	<b>(14 968 994)</b>	-	-	<b>(14 968 994)</b>	<b>(22 207 414)</b>		<b>(7 238 420)</b>	<b>148 %</b>	<b>(86)%</b>
Cash and cash equivalents at the beginning of the year	39 004 719	-	39 004 719	-	-	39 004 719	41 577 792		2 573 073	107 %	107 %
<b>Cash and cash equivalents at year end</b>	<b>64 702 643</b>	<b>(40 666 918)</b>	<b>24 035 725</b>	-	-	<b>24 035 725</b>	<b>19 370 378</b>		<b>4 665 347</b>	<b>81 %</b>	<b>30 %</b>



# Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1. Presentation of Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant policy.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

These financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Comparative Information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### 1.4 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been adopted early by the municipality:

GRAP 25 Employee Benefits  
GRAP 105 Transfers of Functions Between Entities Under Common Control  
GRAP 106 Transfers of Functions Between Entities Not Under Common Control  
GRAP 107 Mergers

Nature of impending changes in accounting policy:  
None.

Impact on the municipality's financial statements once implemented:  
None.

#### 1.5 Use of Estimates

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may be undertaken in the future, actual results ultimately may differ from these estimates.

# Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.6 Transfer of functions between entities under common control

#### Definitions

An acquirer is the municipality that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality's objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

A transferor is the municipality that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole municipality. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.

Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.

Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

#### Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which municipality to the transaction or event is the transferor(s) and which municipality is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which municipality is the acquirer and which municipality is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

#### Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.



# Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### Assets acquired [transferred] and liabilities assumed [relinquished]

The recognition of assets and liabilities, is subject to the following conditions:

The assets acquired and the liabilities assumed are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.

### Determining what is part of the transfer of functions transaction

Where the municipality and the transferor have a pre-existing relationship before or when negotiations for a transfer of functions began, or where a binding arrangement is entered into during the negotiations that are separate from a transfer of functions, any amounts that are not part of what were transferred in a transfer of functions are identified. This policy only applies to the consideration transferred and the assets acquired and liabilities assumed in a transfer of functions as governed by the terms and conditions of the binding arrangement.

The following factors are considered, which are neither mutually exclusive nor individually conclusive, to determine whether a transaction is part of a transfer or function or whether the transaction is separate:

- the reasons for the transaction
- the timing of the transaction

### 1.7 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition. However, where an investment property was acquired through a non-exchange transaction (i.e. where municipality acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Transfers are made to or from investment property only when there is a change in use.

For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

# Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.8 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:  
it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and  
the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

The following accounting procedures will be followed when the fixed properties are re-valued at an amount that exceeds the current value carried in the Financial Statements:



# Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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- The Accumulated Depreciation at the time of revaluation will be set-off against the gross carrying amount of the fixed property.
- The carrying value on the Balance Sheet will be adjusted to the revalued amount of the fixed property.
- The difference between the original amount and the re-valued amount will be credited against a future depreciation reserve.
- All future depreciation on the fixed property will be set off against this future depreciation reserve.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
<b>Buildings</b>	
Municipal Buildings	15-30 years
Land	Indefinite
<b>Infrastructure</b>	
Roads	5 - 30 years
Paving on Car Ports	5 - 30 years
Electricity Network	4 - 45 years
Single Fase Meters 97/98	2 - 20 years
Water	2 - 20 years
Sewerage	2 - 20 years
Stormwater	5 - 30 years
<b>Community</b>	
Community Buildings	15 - 30 years
Recreational Facilities	20 - 30 years
Tennis Courts	20 - 30 years
Swimming Pool and Pumps	5 - 10 years
Security	5 - 30 years
Palisade Fence	3 - 10 years
Gaurd Room	2 - 30 years
Parks and Gardens	22 - 30 years
Taxi Rank	22 - 30 years
<b>Other property, plant and equipment</b>	
Gates And Fencing	5 - 10 years
Air Conditioners	5 - 15 years
Plant and equipment	5 - 30 years
Security Measures	5 - 30 years
Other Vechiles	5 - 15 years
Specialised Vechile	10 - 15 years
Office Equipment	5 - 15 years
Furniture and fittings	2 - 20 years
Bins and containers	2 - 10 years
Other items of plant equipment	10 - 15 years
Landfill sites	30 - 45 years
Computer equipment	3 - 15 years

# Molemole Local Municipality

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Financial Statements for the year ended 30 June 2019

## Accounting Policies

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Finance Leased Assets  
Office Equipment

3 - 7 years

The residual value, the useful life and depreciation method of each asset are reviewed at least at each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Property, plant and equipment which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from the sale of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.9 Intangible assets

#### Initial Recognition

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.



# Molemole Local Municipality

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Financial Statements for the year ended 30 June 2019

## Accounting Policies

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Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 - 10years

Intangible assets are derecognised:  
on disposal; or  
when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.10 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.



## **Molemole Local Municipality**

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Financial Statements for the year ended 30 June 2019

### **Accounting Policies**

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Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

#### **1.11 Financial instruments**

##### **Initial recognition and measurement**

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

##### **Subsequent measurement**

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit dividends or similar distributions and interest.

Dividend or similar distributions income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends or similar distributions received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

# Molemole Local Municipality

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Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

### Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

### Trade and Other Receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

### Impairment Loss

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

The municipality determine impairment of trade receivables in accordance with the debt write off policy.

### Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

### Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

### 1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.



# **Molemole Local Municipality**

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Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

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### **Finance leases - lessor**

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

### **Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expenses over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the Statement of Financial Performance.

### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### **Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

### **Municipality as Lessor**



# Molemole Local Municipality

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## Accounting Policies

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Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

### 1.13 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;  
distribution at no charge or for a nominal charge; or  
consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Subsequent inventories are measured at the lower of cost and net realisable value.



# **Molemole Local Municipality**

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Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

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Inventories comprise current assets held for sale or for consumption during the ordinary course of business and are measured at the lower of cost and current replacement cost where they are held for;

- a) distribution at no charge or for a nominal charge; or
- b) consumption in the production process of goods to be distributed at no charge or for a nominal charge

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis for allocating cost to inventory items is the first in first out (FIFO) method.

### **1.14 Employee benefits**

#### **Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### **Post Retirement Medical Obligation**

The Municipality provides post-retirement medical benefits by subsidising the medical aid contributions of certain retired staff according to the rules of the medical aid funds.

Council pays 70% of the contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

#### **Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

#### **Provision for Staff Leave**

# Molemole Local Municipality

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## Accounting Policies

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Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the relevant employee. Accumulated leave is carried forward and can be used in future periods if the current employee's entitlement is not used in full. An employee's accumulated leave cannot exceed 48 days. Any days in excess thereof is forfeited. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

### Staff Bonusses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on the bonus accrued at year end for each employee.

### Provision for Performance Bonusses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, contract workers and other senior managers, is recognised as it accrues. The performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends. This bonus is not guaranteed.

### 1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.



## Molemole Local Municipality

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Financial Statements for the year ended 30 June 2019

### Accounting Policies

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A constructive obligation to restructure arises only when an entity:

has a detailed formal plan for the restructuring, identifying at least:

- the activity/operating unit or part of a activity/operating unit concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for services being terminated;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both: necessarily entailed by the restructuring; and not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 50.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

#### 1.16 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.



# Molemole Local Municipality

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## Accounting Policies

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Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### 1.17 Revenue from non-exchange transactions

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.



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## Accounting Policies

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Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

### 1.18 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

### 1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. The Unauthorised expenditure is disclosed in a note to the Annual Financial Statements.

### 1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred, unless if it is recoverable (i.e. receivable), it will be raised as an asset in the Statement of Financial Position. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Fruitless and wasteful expenditure will be de-recognised as soon as the nature of the fruitless and wasteful expenditure has been submitted to Council and a formal Council decision has been taken to condone the expenditure. The Fruitless and Wasteful expenditure is disclosed in a note to the Annual Financial Statements.

### 1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):



# Molemole Local Municipality

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Financial Statements for the year ended 30 June 2019

## Accounting Policies

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Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. The Irregular expenditure is disclosed in a note to the Annual Financial Statements.

### 1.22 Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and when the plan will be implemented; and
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.



## **Molemole Local Municipality**

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Financial Statements for the year ended 30 June 2019

### **Accounting Policies**

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#### **1.23 Budget information**

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018-07-01 to 2019-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

#### **1.24 Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the municipality sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

#### **1.25 Retirement Benefits**

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

# Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.26 Impairment of Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing their carrying amount with their recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

### 1.27 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and  
Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.



# Molemole Local Municipality

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Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 32 : Service Concession Arrangement : Grantor	01 April 2019	Unlikely there will be a material impact
GRAP 108 : Statutory Receivables	01 April 2019	Unlikely there will be a material impact
GRAP 109 : Accounting by principles and Agents	01 April 2019	Unlikely there will be a material impact
GRAP 17 : Service Concession Arrangement : Where a Grantor controls significant residual interest	01 April 2019	Unlikely there will be a material impact
GRAP 18 : Recognition and derecognition of land	01 April 2019	Unlikely there will be a material impact
GRAP 19 : Liabilities to pay levies	01 April 2019	Unlikely there will be a material impact
GRAP 20 : Related Party Disclosures	01 April 2019	Unlikely there will be a material impact
<b>Approved and not yet effective</b>		
GRAP 34 : Seperate Financial Statements		Unlikely there will be a material impact
GRAP 35 : Consolidated Financial Statements		Unlikely there will be a material impact
GRAP 36 : Investments in Associates and Joint		Unlikely there will be a material impact
GRAP 37 : Joint Arrangements		Unlikely there will be a material impact
GRAP 38 : Disclosures of Interest in Other Entities		Unlikely there will be a material impact
GRAP 10 : Living and Non-Living Resources		Unlikely there will be a material impact



# Molemole Local Municipality

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### 3. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2 091 000	(389 999)	1 701 001	2 091 000	(346 665)	1 744 335
<b>Total</b>	<b>2 091 000</b>	<b>(389 999)</b>	<b>1 701 001</b>	<b>2 091 000</b>	<b>(346 665)</b>	<b>1 744 335</b>

#### Reconciliation of investment property - 2019

	Opening balance	Depreciation	Total
Investment property	1 744 335	(43 333)	1 701 001
	<b>1 744 335</b>	<b>(43 333)</b>	<b>1 701 001</b>

#### Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	1 787 668	(43 333)	1 744 335
	<b>1 787 668</b>	<b>(43 333)</b>	<b>1 744 335</b>

## Molemole Local Municipality

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Financial Statements for the year ended 30 June 2019

### Notes to the Financial Statements

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#### 4. Property, plant and equipment

	2019		2018	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Land	R 22 169 428	R -	R 22 169 428	R -
Buildings	31 167 206	(2 458 814)	28 708 392	(4 444 753)
Infrastructure	87 555 551	(15 527 251)	72 028 300	(13 857 717)
Community	30 957 786	(3 583 803)	27 373 983	(4 874 197)
Other property, plant and equipment	46 717 218	(17 853 676)	28 863 542	(15 973 131)
Financed leased Assets	750 781	(195 467)	555 314	(44 018)
Work in Progress	72 039 055	-	72 039 055	67 522 392
<b>Total</b>	<b>291 357 025</b>	<b>(39 619 011)</b>	<b>251 738 014</b>	<b>(39 193 816)</b>
			<b>251 124 131</b>	<b>211 930 315</b>

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Additions work in progress	Disposals	Transfers received from WIP	Transfers from WIP	Revaluations	Depreciation	Total
Land	22 169 428	-	-	-	-	-	-	-	22 169 428
Buildings	26 722 452	-	-	-	-	-	3 204 321	(1 218 382)	28 708 392
Infrastructure	36 766 387	-	-	(343 221)	37 352 551	-	-	(1 747 417)	72 028 300
Community	26 054 189	29 400	-	-	-	-	2 514 935	(1 224 541)	27 373 983
Other property, plant and equipment	31 988 704	2 548 591	-	(1 945 048)	-	-	-	(3 728 703)	28 863 542
Finance Leased Assets	706 763	-	-	-	-	-	-	(151 449)	555 314
Work in progress	67 522 392	-	41 869 214	-	-	(37 352 551)	-	-	72 039 055
<b>Total</b>	<b>211 930 315</b>	<b>2 577 991</b>	<b>41 869 214</b>	<b>(2 288 269)</b>	<b>37 352 551</b>	<b>(37 352 551)</b>	<b>5 719 256</b>	<b>(8 070 492)</b>	<b>251 738 014</b>



## Molemole Local Municipality

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### Notes to the Financial Statements

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#### 4. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Additions work in progress	Disposals	Transfers received from WIP	Transfers from WIP	Other changes, movements	Depreciation	Total
Land	22 256 319	-	-	(86 891)	-	-	-	-	22 169 428
Buildings	25 672 747	374 151	-	-	1 756 527	-	-	(1 080 973)	26 722 452
Infrastructure	36 686 476	408 565	-	(33 561)	2 344 422	-	-	(2 639 515)	36 766 387
Community	26 313 501	-	-	-	-	-	813 800	(1 073 112)	26 054 189
Other property, plant and equipment	29 405 628	4 682 087	-	(291 708)	590 167	-	-	(2 397 469)	31 988 704
Finance Leased Assets	263 157	750 781	-	-	-	-	-	(307 176)	706 763
Work in progress	45 798 869	-	27 228 439	-	-	(5 504 916)	-	-	67 522 392
	<b>186 396 697</b>	<b>6 215 585</b>	<b>27 228 438</b>	<b>(412 159)</b>	<b>4 691 116</b>	<b>(5 504 916)</b>	<b>813 800</b>	<b>(7 498 245)</b>	<b>211 930 315</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

#### 5. Intangible assets

	2019		2018	
	Cost / Valuation	Accumulated amortisation and impairment	Cost / Valuation	Accumulated amortisation and impairment
Computer software, other	4 885 863	(2 523 470)	2 362 393	(1 705 457)
<b>Total</b>	<b>4 885 863</b>	<b>(2 523 470)</b>	<b>2 362 393</b>	<b>(1 705 457)</b>

# Molemole Local Municipality

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Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

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### 5. Intangible assets (continued)

#### Reconciliation of intangible assets - 2019

	Opening balance	Additions under development	Amortisation	Total
Computer software, other	1 945 251	-	(818 014)	1 127 238
Intangible asset under development	-	1 235 156	-	1 235 156
	<b>1 945 251</b>	<b>1 235 156</b>	<b>(818 014)</b>	<b>2 362 394</b>

#### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	402 494	1 862 397	(319 638)	1 945 251
	<b>402 494</b>	<b>1 862 397</b>	<b>(319 638)</b>	<b>1 945 251</b>

### 6. Heritage Assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain	368 150	-	368 150	368 150	-	368 150
<b>Total</b>	<b>368 150</b>	<b>-</b>	<b>368 150</b>	<b>368 150</b>	<b>-</b>	<b>368 150</b>

#### Reconciliation of heritage assets 2019

	Opening balance	Total
Mayoral Chain	368 150	368 150
	<b>368 150</b>	<b>368 150</b>

#### Reconciliation of heritage assets 2018

	Opening balance	Total
Mayoral Chain	368 150	368 150
	<b>368 150</b>	<b>368 150</b>

### 7. Non-Current Employee benefits

#### Post-employment Health Care Benefits

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;  
Discovery;  
LA Health;  
Hosmed;  
Samwumed; and  
Keyhealth.



# Molemole Local Municipality

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Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

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### 7. Non-Current Employee benefits (continued)

The Municipality's Accrued Unfunded Liability at 30 June 2019 is estimated at R 9,070,610. The Current-service Cost for the year ending 30 June 2019 is estimated at R 622,662. It is estimated to be R 860,460 for the ensuing year.

Key actuarial assumptions used:

Rate of Interest		
Discount rate	9.78%	9.81%
Health Care Cost	7.17%	7.53%
Net effective Discount rate	2.44%	2.12%

The amount recognised in the Statement of Financial Position are as follows:

#### Present Value of fund obligations

Closing Balance	9 070 610	6 663 822
	<b>9 070 610</b>	<b>6 663 822</b>
Present value at Fund obligation at the beginning of the year	6 663 822	7 056 620
Total Expenses	1 227 333	1 253 121
Current Service Cost	622 662	600 475
Interest Cost	651 399	700 035
Benefits Paid	(46 728)	(47 389)
Actuarial (gains ) / losses	1 179 455	(1 645 919)
Present value of fund obligation at the end of the year	9 070 610	6 663 822
Less : transfer of current portion	(63 096)	(48 462)
<b>Balance 30 June</b>	<b>9 007 514</b>	<b>6 615 360</b>

### 8. Inventories

Opening balance	160 959	136 520
Purchased	1 197 825	864 245
Issued	(1 164 301)	(839 806)
<b>Closing balance</b>	<b>194 483</b>	<b>160 959</b>

### 9. Receivables from exchange transactions

Rental debtors	252 925	99 542
Other debtors - Under banking	29 332	4 955
Other debtors - Bursaries	30 850	36 840
Other debtors - Insurance	-	1 736
Other debtors - National Treasury	498 600	498 600
Other debtors	1 069 828	41 740
Consumer debtors - Electricity	435 299	1 133 198
Consumer debtors - Refuse	1 150 254	1 205 746
Consumer debtors - Other Service Charges	78 141	75 431
Other debtors - CDM	714 019	936 899
	<b>4 259 248</b>	<b>4 034 687</b>

#### Electricity Reconciliation

Electricity	3 401 310	6 721 078
Less: Impairment	(2 966 011)	(5 587 880)
	<b>435 299</b>	<b>1 133 198</b>

# Molemole Local Municipality

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## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>9. Receivables from exchange transactions (continued)</b>		
<b>Electricity Ageing</b>		
Current (0 - 30 days)	226 529	657 766
31 - 60 days	58 046	277 663
61 - 90 days	52 570	217 311
+90 days	3 064 165	5 568 338
	<b>3 401 310</b>	<b>6 721 078</b>
<b>Refuse</b>		
Refuse	8 987 795	7 151 365
Less: Impairment	(7 837 541)	(5 945 619)
	<b>1 150 254</b>	<b>1 205 746</b>
<b>Refuse Ageing</b>		
Current (0 - 30 days)	372 276	344 139
31 - 60 days	169 179	164 166
61 - 90 days	178 855	160 966
+90 days	8 267 485	6 482 095
	<b>8 987 795</b>	<b>7 151 366</b>
<b>Other Service Charges</b>		
Other Service Charges	610 576	447 381
Less: Impairment	(532 435)	(371 950)
	<b>78 141</b>	<b>75 431</b>
<b>Other Service Charges Ageing</b>		
Current (0 - 30 days)	24 328	8 670
31 - 60 days	23 147	4 279
61 - 90 days	11 907	4 224
+90 days	551 194	430 208
	<b>610 576</b>	<b>447 381</b>
<b>CDM Water Debtor Reconciliation</b>		
CDM Water Debtor	4 971 257	3 050 794
Less: 70 % Commission	(3 196 051)	(1 625 281)
Less: Impairment	(1 061 187)	(488 614)
	<b>714 019</b>	<b>936 899</b>
<b>CDM Debtors Ageing</b>		
Current (0 - 30 days)	422 331	502 753
31 - 60 days	206 440	169 795
61 - 90 days	177 268	156 129
+90 days	4 165 218	2 223 917
	<b>4 971 257</b>	<b>3 052 594</b>



# Molemole Local Municipality

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Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

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### 10. Receivables from non-exchange transactions

Fines	1 634 704	1 705 292
Consumer debtors - Rates	60 636 805	54 469 761
	<b>62 271 509</b>	<b>56 175 053</b>

### Property Rates Receivables

Taxes - Rates	79 212 051	69 523 515
Less Allowance for Doubtful debts	(18 575 246)	(15 053 754)
	<b>60 636 805</b>	<b>54 469 761</b>

### Ageing of Receivables from Non-Exchange Transactions

#### Rates: Ageing

Current (0-30 days )	2 310 262	17 917 343
31-60 days	1 112 704	1 072 848
61-90 days	1 115 055	1 058 676
+90 days	74 673 530	49 474 637
	<b>79 211 551</b>	<b>69 523 504</b>

Debts are required to be settled after 30 days, interest is charged after this date at 10%. The fair value of trade and other receivables approximates their carrying amounts.

### Traffic Fines Debtor Reconciliation

Traffic Fines Debtor	4 083 273	3 882 223
Less: Impairment	(2 448 569)	(2 176 930)
	<b>1 634 704</b>	<b>1 705 293</b>

### 11. VAT receivable

Vat Receivable	13 830 772	11 198 393
	<b>13 830 772</b>	<b>11 198 393</b>

### 12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 983	320
Bank balances	11 497 723	30 001 900
Short-term deposits	7 874 015	11 578 914
	<b>19 373 721</b>	<b>41 581 134</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Nedbank - Primary Account 146 700 0 442	7 575 698	19 981 855	14 942 119	7 558 915	19 577 618	14 044 109
Nedbank Grants Account - 1013994825	3 938 888	10 424 363	19 558 724	3 938 808	10 424 273	19 558 644
Nedbank Call Investment - Deposit	7 874 015	11 578 914	22 003 792	7 558 915	11 578 914	22 003 792

# Molemole Local Municipality

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Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

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### 12. Cash and cash equivalents (continued)

<b>Total</b>	<b>19 388 601</b>	<b>41 985 132</b>	<b>56 504 635</b>	<b>19 056 638</b>	<b>41 580 805</b>	<b>55 606 545</b>
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### 13. Revaluation reserve

Opening balance	41 894 856	41 894 856
Change during the year	5 719 255	-
	<b>47 614 111</b>	<b>41 894 856</b>

### Revaluation surplus relating to property, plant and equipment

Revaluation surplus beginning of period	41 894 856	41 894 856
Movements in the reserve for the year	5 719 255	-
	<b>47 614 111</b>	<b>41 894 856</b>

### 14. Finance lease obligation

#### Minimum lease payments due

- within one year	377 346	377 346
- in second to fifth year inclusive	283 009	660 355
	660 355	1 037 701
less: future finance charges	(147 049)	(327 873)
<b>Present value of minimum lease payments</b>	<b>513 306</b>	<b>709 828</b>

#### Present value of minimum lease payments due

- within one year	261 630	196 522
- in second to fifth year inclusive	251 676	513 306
	<b>513 306</b>	<b>709 828</b>

Non-current liabilities	251 676	513 306
Current liabilities	261 630	196 522
	<b>513 306</b>	<b>709 828</b>

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest Rate	Lease Term	Maturity Date
XLP Document Solution	Photocopy machine	28,95%	3 Year	31-03-2021
XLP Document Solution	Photocopy machine	28,95%	3 Year	31-03-2021

### 15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal Infrastructure Grant	1 616 692	2 787 793
Finance management grant	225 669	78 040
Municipal Demarcation grant	-	1 191 034
CDM - Mogwadi Community Hall	-	32 435
CDM - Community Waste collection	-	43 490
CDM - Audit Committee Facilities	-	35 200
CDM - Integrated Transport Plan	108 614	108 614
Municipal System Improvement Grant	283 300	-
	<b>2 234 275</b>	<b>4 276 606</b>



## Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2019

### Notes to the Financial Statements

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#### 15. Unspent conditional grants and receipts (continued)

The Unspent grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

# Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

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### 16. Provisions

#### Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Transfer to current portion	Total
Long service awards	2 936 761	972 221	(476 488)	(41 678)	3 390 816
Rehabilitation of landfill site	11 158 829	257 469	-	-	11 416 299
	<b>14 095 590</b>	<b>1 229 690</b>	<b>(476 488)</b>	<b>(41 678)</b>	<b>14 807 115</b>

#### Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Transfer to Current portion	Total
Long service awards	2 548 616	726 460	(370 436)	32 121	2 936 761
Rehabilitation of Landfill Site	10 322 961	835 869	-	-	11 158 830
	<b>12 871 577</b>	<b>1 562 329</b>	<b>(370 436)</b>	<b>32 121</b>	<b>14 095 591</b>

#### Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of

R 11 416 298 : 2019 (2018: R 11 158 829) to restore the site at the end of its useful life, estimated to be in the 2025 (soekmekaar landfil site) and 2032 (Dendron Landfill site) financial year. Provision has been made for the best estimate of costs at the reporting date with reference to the inflation rate.

#### Long Service Bonus

The Long Service Bonus plans are defined benefit plans. As at year end, 159 employees were eligible for Long Service Bonuses.

Key actuarial assumptions used:

<b>Rate of interest</b>		
Discount rate	8.21%	8.59%
General Salary Inflation (long Term )	5.57%	6.19%
Nett effective Discount Rate Applied to Long Service Bonus	2.50%	2.26%

The amounts recognised in the Statement of Financial Position are as follows:

<b>Present Value of fund obligation</b>		
Balance	3 796 842	3 301 109
<b>Net liability / (asset)</b>	<b>3 796 842</b>	<b>3 301 109</b>

Reconciliation of present value of fund obligation:

<b>Reconciliation fo present Value of fund obligation</b>		
Present value of fund obligation at the beginning of the year	3 301 109	2 945 085
Total Expenses	137 987	182 563
Current service cost	346 236	319 783
Interest Cost	268 239	233 216
Benefits paid	(476 488)	(370 436)
Actuarial Losses / ( Gain)	357 746	173 461
Present value of Fund obligation	3 796 842	3 301 109



# Molemole Local Municipality

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Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>16. Provisions (continued)</b>		
Less : Transfer of current portion	(406 025)	(364 347)
<b>Balance at end of year</b>	<b>3 390 817</b>	<b>2 936 762</b>
<b>17. Other current liability</b>		
Unallocated receipts	1 664 466	1 840 851
Salary suspense account	(1 129)	3 860
Payments received in advance	-	(34 930)
Receipt reversal	-	14
	<b>1 663 337</b>	<b>1 809 795</b>
<b>18. Current Employee Benefits</b>		
Current Portion of Post Retirement Health Care Benefits	63 096	48 389
Current Portion of Long Service Provisions	406 025	364 347
Staff Leave	6 087 308	6 304 774
<b>Total Current Employee Benefits</b>	<b>6 556 429</b>	<b>6 717 510</b>
The movement in current employee benefits are reconciled as follows:		
<b>Provision for Staff Leave</b>		
Balance at the beginning of the year	6 304 774	5 702 960
Contribution to current portion	125 217	1 143 723
Expenditure during the year	(342 683)	(541 909)
<b>Balance at end of year</b>	<b>6 087 308</b>	<b>6 304 774</b>
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.		
<b>19. Payables from exchange transactions</b>		
Trade payables	6 730 115	8 461 861
Payments received in advanced - contract in process	3 034 643	1 939 508
Retention	9 204 054	7 304 688
Electricity not used	242 849	200 885
National Treasury Creditor	-	-
Other Creditors	203 885	-
Bonus	1 690 360	1 443 011
	<b>21 105 906</b>	<b>19 349 953</b>
<b>20. Consumer deposits</b>		
Electricity	503 126	502 526
	<b>503 126</b>	<b>502 526</b>
<b>21. Revenue</b>		
Service charges	9 870 892	10 064 112
Rental of facilities and equipment	456 493	346 468
Interest received - debtors	1 066 848	1 138 974
Agency services	673 187	2 321 830
Licences and permits	3 517 122	2 508 607
Actuarial Gain	-	1 472 458

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## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>21. Revenue (continued)</b>		
Gain on disposal of assets	-	102 235
Other income	257 775	315 892
Dividends received	1 820 125	1 575 122
Property rates	14 572 846	16 199 465
Government grants & subsidies	177 221 330	167 951 927
Fines, Penalties and Forfeits	759 662	1 008 500
	<b>210 216 280</b>	<b>205 005 590</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	9 870 892	10 064 112
Rental of facilities and equipment	456 493	346 468
Interest received - debtors	1 066 848	1 138 974
Agency services	673 187	2 321 830
Licences and permits	3 517 122	2 508 607
Actuarial gain	-	1 472 458
Gain on the sale of assets	-	102 235
Other income	257 775	315 892
Interest received	1 820 125	1 575 122
	<b>17 662 442</b>	<b>19 845 698</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	14 572 846	16 199 465
<b>Transfer revenue</b>		
Government grants & subsidies	177 221 330	167 951 927
Traffic Fines	759 662	1 008 500
	<b>192 553 838</b>	<b>185 159 892</b>
<b>22. Service charges</b>		
Sale of electricity	8 018 108	8 300 884
Refuse removal	1 852 784	1 763 228
	<b>9 870 892</b>	<b>10 064 112</b>
<b>23. Rental of facilities and equipment</b>		
<b>Premises</b>		
Cattle Grazing	105 089	32 556
Community Assets	351 404	313 912
	<b>456 493</b>	<b>346 468</b>
<b>24. Fines, Penalties and Forfeits</b>		
Traffic Fines	753 050	1 008 500
Illegal Connections Fines	6 612	-
	<b>759 662</b>	<b>1 008 500</b>
<b>25. Licences and permits (exchange)</b>		
Road and Transport	3 517 122	2 508 607
	<b>3 517 122</b>	<b>2 508 607</b>



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### Notes to the Financial Statements

Figures in Rand	2019	2018
<b>26. Interest received - debtors</b>		
Property Rates	453 717	340 599
Service Charges	19 384	15 529
Waste Management	146 132	168 248
Electricity	447 615	448 858
CDM Water and Sanitation	-	165 741
	<b>1 066 848</b>	<b>1 138 975</b>
<b>27. Commission Received</b>		
Commission Received	673 187	634 476
The municipality only recognise 30% of its revenue billed for the year as commission received. The other 70% is offset against the CDM debtors as per the service level agreement between CDM and the municipality		
<b>28. Other income</b>		
Building Plan Approvals	21 804	5 643
Clearance certificates	8 248	5 906
Town Planning and servitudes	5 152	-
Sundry	-	10 892
Skills development refund	152 738	112 536
Sale of Tender documents	-	76 686
Sundry income	40 582	33 661
Grave Fees	5 850	8 123
Library Membership fees	1 180	4 202
Town Planning Fees	3 956	27 403
Penalties	796	596
New Connections	3 836	30 244
Transaction handling fees	13 633	-
	<b>257 775</b>	<b>315 892</b>
<b>29. Interest received - external investment</b>		
Interest received - External investments	1 820 125	1 575 122
	<b>1 820 125</b>	<b>1 575 122</b>
<b>30. Property rates</b>		
<b>Rates received</b>		
Residential	1 867 657	1 874 022
Commercial	1 683 724	1 293 746
State	9 714 363	11 806 202
Municipal	(7 344)	25 996
Small holdings and farms	1 308 779	1 194 186
Public service infrastructure	5 667	5 313
	<b>14 572 846</b>	<b>16 199 465</b>
<b>Valuations</b>		
Residential	395 264 000	398 065 000
Commercial	100 228 000	93 498 000
State	669 209 000	453 684 000

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## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>30. Property rates (continued)</b>		
Municipal	64 253 000	67 691 000
Small holdings and farms	1 640 644 000	1 802 556 000
Public service infrastructure	2 571 000	4 133 000
	<b>2 872 169 000</b>	<b>2 819 627 000</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

### 31. Government grants and subsidies

#### Operating grants

Equitable share	128 183 867	122 615 544
Municipal Infrastructure Grant	1 749 815	801 457
FMG - Finance Management Grant	2 177 330	1 394 603
Community Waste collection	43 490	303 700
Audit Community Facilities	35 200	-
CDM - Mogwadi Community Hall	32 435	-
Expanded Public Works Program	1 101 000	1 000 000
Municipal Demarcation grant	-	2 721 955
	<b>133 323 137</b>	<b>128 837 259</b>

#### Capital grants

MIG - Municipal infrastructure grant	43 126 493	36 727 241
Finance Management Grant	-	860 357
Municipal demarcation grant	-	1 527 071
Municipal System Improvement Grant	771 700	-
	<b>43 898 193</b>	<b>39 114 669</b>
	<b>177 221 330</b>	<b>167 951 928</b>

#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	49 037 463	45 336 384
Unconditional grants received	128 183 867	122 615 544
	<b>177 221 330</b>	<b>167 951 928</b>

#### Equitable Share

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

#### Municipal Infrastructure Grant

Balance unspent at beginning of year	2 787 792	15 498 245
Current-year receipts	46 493 000	25 718 000
Conditions met - transferred to revenue	(1 749 815)	(801 457)
Conditions met - transferred to capital	(43 126 493)	(36 727 241)
Adjustments/Returned to National revenue fund	(2 787 792)	(899 754)
	<b>1 616 692</b>	<b>2 787 793</b>

Conditions still to be met - remain liabilities (see note 15).



## Molemole Local Municipality

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### Notes to the Financial Statements

Figures in Rand	2019	2018
<b>31. Government grants and subsidies (continued)</b>		
Provide explanations of conditions still to be met and other relevant information.		
<b>Finance Management Grant</b>		
Balance unspent at beginning of year	78 040	272 482
Current-year receipts	2 403 000	2 333 000
Conditions met - transferred to revenue	(2 177 330)	(1 394 603)
Conditions met - transferred to capital	-	(860 357)
Adjustments/Returned to National revenue fund	(78 041)	(272 482)
	<b>225 669</b>	<b>78 040</b>
Conditions still to be met - remain liabilities (see note 15).		
Finance management grant received with conditions to be met. The money returned to the national revenue fund is because the municipality did not appoint the intern timously.		
<b>CDM - Mogwadi Community Hall</b>		
Balance unspent at beginning of year	32 435	32 435
Conditions met - transferred to revenue	(32 435)	-
	<b>-</b>	<b>32 435</b>
Conditions still to be met - remain liabilities (see note 15).		
CDM - Mogwadi Community Hall grant received with conditions to be met.		
<b>Community Waste collection</b>		
Balance unspent at beginning of year	43 490	37 190
Current-year receipts	-	310 000
Conditions met - transferred to revenue	(43 490)	(303 700)
	<b>-</b>	<b>43 490</b>
Conditions still to be met - remain liabilities (see note 15).		
Community waste collection grant received with conditions to be met.		
<b>Audit Community Facilities</b>		
Balance unspent at beginning of year	35 200	35 200
Conditions met - transferred to revenue	(35 200)	-
	<b>-</b>	<b>35 200</b>
Conditions still to be met - remain liabilities (see note 15).		
Audit committee facilities grant received with conditions to be met.		
<b>Integrated Transport Plan</b>		
Balance unspent at beginning of year	108 614	108 614
	<b>108 614</b>	<b>108 614</b>
Conditions still to be met - remain liabilities (see note 15).		

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## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>31. Government grants and subsidies (continued)</b>		
Integrated transport plan grant received with conditions to be met.		
<b>Expanded Public Works Program</b>		
Current-year receipts	1 101 000	998 721
Conditions met - transferred to revenue	(1 101 000)	(1 000 000)
	-	-
Expanded public works program grant received with conditions met.		
<b>CDM Operational and Maintenance (Water)</b>		
Balance unspent at beginning of year	-	1 098 405
Adjustments/Corrections	-	(1 098 405)
	-	-
Conditions still to be met - remain liabilities (see note 15).		
CDM Operational and Maintenance (Water) grant received with conditions to be met.		
<b>Municipal Demarcation grant</b>		
Balance unspent at beginning of year	1 191 034	4 195 368
Current-year receipts	-	3 044 061
Conditions met - transferred to revenue	-	(2 721 956)
Conditions met - transferred to capital	-	(1 527 071)
Adjustments/Returned to National revenue fund	(1 191 034)	(1 799 368)
	-	1 191 034
Conditions still to be met - remain liabilities (see note 15).		
Grant received in respect of the demarcation of Aganang Municipality. The money returned to the National Revenue fund was because there were no committed projects for the grant at 30 June 2018		
<b>MSIG</b>		
Current-year receipts	1 055 000	-
Conditions met - transferred to capital	(771 700)	-
	283 300	-
Conditions still to be met - remain liabilities (see note 15).		
<b>32. Employee related costs</b>		
Basic Salary	48 921 245	41 450 918
PMU - MIG Salaries	1 447 081	705 577
Bonus	5 018 154	4 055 601
Medical aid - company contributions	3 721 478	3 175 509
UIF	292 097	281 119
Interns Salaries: FMG	241 197	313 987
Leave pay provision charge	153 669	1 143 720
Defined contribution plans	622 660	553 086
Travel, motor car, accommodation, subsistence and other allowances	4 791 826	4 544 509
Overtime payments	638 778	566 313
Long-service awards	346 236	319 784



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## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>32. Employee related costs (continued)</b>		
Acting allowances	307 401	1 084 464
Housing benefits and allowances	162 196	145 045
Standby allowance	247 378	163 677
Laptop Allowance	487 171	236 476
Pension Funds - Company contribution	8 869 656	7 992 966
Telephone/Cellphone Allowance	1 166 703	865 934
Industrial/Bargaining Council	16 801	15 173
	<b>77 451 727</b>	<b>67 613 858</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	820 016	246 326
Motor car , housing and other allowances	382 736	101 109
Acting Allowances	-	257 256
	<b>1 202 752</b>	<b>604 691</b>
The Municipal Manager is appointed on a 4years fixed contract starting 1 March 2018.		
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	467 997	241 655
Motor car , housing and other allowances	243 592	29 947
Acting : Lethuba	-	128 735
Acting : Nkalanga	46 471	116 176
	<b>758 060</b>	<b>516 513</b>
The CFO is appointed on a 5 year contract starting on 01 September 2018.		
<b>Remuneration of Manager - Technical Services</b>		
Annual Remuneration	608 562	152 557
Motor car , housing and other allowances	292 310	88 981
Acting : Ntjana	-	227 293
	<b>900 872</b>	<b>468 831</b>
The Manager Technical Services is appointed on a 5 year contract 1 April 2018		
<b>Remuneration of Manager Corporate Services</b>		
Annual Remuneration	684 525	207 320
Motor car , housing and other allowances	274 494	71 156
Acting : Modisha	-	180 985
Acting : Mahlake	-	27 268
	<b>959 019</b>	<b>486 729</b>
The Manager Corporate Services was appointed on a 5 year contract starting 01 April 2018.		
<b>Remuneration of Manager - Community Services</b>		
Annual Remuneration	507 135	-
Motor car , housing and other allowances	243 592	-
Acting : Mokumo	-	135 162
Acting : Seanego	-	10 526
	<b>750 727</b>	<b>145 688</b>

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## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>32. Employee related costs (continued)</b>		
The Manager Community Services was appointed on a 5 year contract starting 01 September 2018.		
<b>Remuneration of Manager - Local Economic Development</b>		
Annual Remuneration	414 623	1 141 397
Motor car , housing and other allowances	100 000	194 122
Acting : Mashotja	9 078	-
Leave Pay	109 626	-
	<b>633 327</b>	<b>1 335 519</b>
The Manager Local Economic Development was appointed on a 5 year contract which ended on 30 November 2018.		
<b>33. Remuneration of councillors</b>		
Executive Mayor	880 813	851 877
Chief Whip	673 877	652 900
Mayoral Committee Members	3 135 997	3 041 686
Speaker	715 263	692 694
Councillors	6 959 512	6 792 272
	<b>12 365 462</b>	<b>12 031 429</b>
<b>34. Depreciation and amortisation</b>		
Property, plant and equipment	8 070 492	7 498 250
Investment property	43 333	43 333
Intangible assets	818 014	319 638
	<b>8 931 839</b>	<b>7 861 221</b>
<b>35. Finance costs</b>		
Post retirement benefits - Interest Paid	919 638	933 250
Finance Lease - Interest Paid	180 824	199 559
Other - Interest Paid	13 220	58 667
Fruitless and wasteful expenditure - Interest Paid	40 916	-
	<b>1 154 598</b>	<b>1 191 476</b>
<b>36. Debt impairment</b>		
Debt impairment - Traffic Fines	271 638	331 210
Debt impairment - Provision	3 818 262	2 485 197
Debt impairment - provision - CDM	572 572	(1 491 238)
	<b>4 662 472</b>	<b>1 325 169</b>
<b>37. General expenses</b>		
Conferences , Seminars , Workshops and Events	6 339 019	4 444 988
Advertising	773 663	275 902
Advertising : Recruitment	236 975	203 884
Auditors remuneration	2 815 462	2 466 080
Bank charges	231 151	473 729
Bill: Municipal Electricity	1 343	30 910
Commission paid	956 926	734 668
Cleaning materials	627 434	370 372



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Figures in Rand	2019	2018
Entertainment	11 130	12 553
Plant Hire	6 000	21 000
Insurance - General	660 751	1 081 228
Bursaries - Employees	508 548	142 450
Departmental: Water	25 801	32 982
IT Expenses	-	15 217
Environmental & Waste Management	1 261 554	1 471 441
Free Basic Electricity	2 828 647	3 091 884
Fuel and Oil: Municipal Fleet	2 670 887	2 070 485
Fuel and Oil: Other	4 638	-
Postage and Telephone	643 457	596 114
Printing, Publication & Marketing	852 342	542 025
Protective clothing	579 753	395 836
Licences - Vehicles	116 702	113 510
Internship programme	503 654	474 628
Membership Fees	5 077	3 250
Title deed search fees	-	3 065
Affiliation & Membership Fees : SALGA	859 190	803 149
Telephone Management System	649 831	322 367
Skills development Levy	716 525	634 182
Training SMME	170 050	177 022
Subscriptions and Systems Licencing	1 609 888	888 185
Training and Conferences	2 449 939	1 781 069
Public Participation	1 584 196	1 311 504
RAL Roads expenditure	12 574 190	10 333 552
Municipal: Internal Billing	90 098	349 581
Rehabilitation cost	257 469	835 869
Rental Office Machines : Usage	76 146	21 504
Tracking device system	94 207	72 146
Stationery	1 164 689	839 806
Other expenses - deductible	-	6 925
Ward Committee Expenses	1 897 000	1 907 000
	<b>46 854 332</b>	<b>39 352 062</b>

#### 38. Bulk purchases

Electricity	9 419 063	9 172 581
	<b>9 419 063</b>	<b>9 172 581</b>

#### 39. Contracted services

Outsourced Services	12 121 617	10 097 824
Consultants and Professional Services	5 653 401	4 335 070
Contractors	9 626 806	8 577 967
	<b>27 401 824</b>	<b>23 010 861</b>

#### 40. Related Parties

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents

##### Compensation to accounting officer and other key management

Remuneration	17 514 671	15 564 604
	<b>17 514 671</b>	<b>15 564 604</b>

# Molemole Local Municipality

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Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

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### 40. Related Parties (continued)

#### Key management information

##### Remuneration of Municipal Manager

Annual Remuneration	820 016	246 326
Motor Car , Housing and other allowances	382 736	101 109
Acting M M : Ramogale	-	257 256
	-	-
	<b>1 202 752</b>	<b>604 691</b>

##### Remuneration of Chief Financial Officer

Annual Remuneration	467 997	241 655
Motor Car , Housing and other allowances	243 592	29 947
Acting CFO : Lethuba	-	128 735
Acting CFO : Nkalanga	-	116 176
	<b>711 589</b>	<b>516 513</b>

#### 2019

##### Remuneration of individual Executive Directors

	Local Economic Development (July to November 2019)	Technical Services	Corporate Services	Community Services (September 2018 to June 2019)
Annual remuneration	414 623	608 562	684 525	507 135
Motor car, Housing , and other allowances	100 000	292 310	274 494	243 592
Leave Payout	109 627	-	-	-
	<b>624 250</b>	<b>900 872</b>	<b>959 019</b>	<b>750 727</b>

#### 2018

	Local Economic Development	Technical Services	Corporate Services	Community Services
Annual Remuneration	722 688	152 557	207 320	-
Acting Allowance: LED Manager	257 256	-	-	-
Performance and other bonuses	6 623	-	-	-
Motor car, Housing , and other allowances	348 952	64 185	71 156	-
Acting Allowance: Technical Services	-	227 293	-	-
Acting Allowance : Corporate Services	-	-	208 253	-
Acting Allowance : Community Service	-	-	-	145 688
	<b>1 335 519</b>	<b>444 035</b>	<b>486 729</b>	<b>145 688</b>

#### 2019

##### Remuneration of Councillors

Mayor (ME Paya) remuneration ,pension ,cellphone allowance and housing allowance	880 813
Speaker ( M S Moreroa) remuneration ,pension ,cellphone allowance and housing allowance	715 263
Chief Whip (E M Rathaha) remuneration ,pension ,cellphone allowance and housing allowance	673 878
Councillors allowance and remuneration	10 095 508
	<b>12 365 462</b>



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## Notes to the Financial Statements

Figures in Rand

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### 40. Related Parties (continued)

#### Related party per Councillor

	Basic Salary	Allowances	Total 2019
ME Paya (Mayor)	620 812	260 001	880 813
MP Makgato	-	-	-
M S Moreroa (Speaker)	496 650	218 613	715 263
E M Rathaha (Chief Whip)	465 610	208 268	673 878
P T Rathete (MPAC)	252 128	124 743	376 871
M Tawana ( Exco)	259 754	127 285	387 039
N F Rampyapedi ( Exco)	465 610	195 904	661 514
M D Meso ( Exco )	249 206	124 818	374 024
N W Seakamela ( Exco)	465 610	195 904	661 514
D Lehong ( Exco )	465 610	195 903	661 513
D Matlou	196 464	106 188	302 652
N G Makgalo	196 464	106 188	302 652
Mp Makgato	196 464	106 188	302 652
C Matjee	196 464	106 188	302 652
A Makgoka	196 464	106 188	302 652
M Malema	196 464	106 188	302 652
M Duba	196 464	106 188	302 652
Kobo	207 009	109 705	316 714
P T Rakimane	196 464	106 188	302 652
M I Mohafe	196 464	106 188	302 652
R L Mpati	196 464	106 188	302 652
M J Manthata	196 464	106 188	302 652
P S Masoga	196 464	106 188	302 652
M J Leferela	196 464	106 188	302 652
N S Ramukhubedi	196 464	106 188	302 652
S E Kobola	196 464	106 188	302 652
T Raphaswana	194 439	106 188	300 627
L Moabelo	196 464	106 188	302 652
G M Sepheso	196 464	106 188	302 652
M D Marutha	196 464	106 188	302 652
M P Tloubatatla	196 464	106 188	302 652
S R Nakana	196 464	106 188	302 652
N MHopane	196 464	106 188	302 652
	<b>8 268 182</b>	<b>4 097 280</b>	<b>12 365 462</b>

### 2018

#### Remuneration of Councillors

Mayor ( ME Paya) remuneration ,pension ,cellphone allowance and housing allowance	-	851 877
Speaker ( M S Moreroa) remuneration ,pension ,cellphone allowance and housing allowance	-	692 694
Chief Whip (E M Rathaha) remuneration ,pension ,cellphone allowance and housing allowance	-	652 900
Councillors allowance and remuneration	-	9 833 958
	-	<b>12 031 429</b>

#### Related party per Councillor

	Basic Salary	Allowances	Total 2016
ME Paya (Mayor)	596 935	254 942	851 877
E M Rathaha(Chief Whip)	477 702	205 198	682 900
M S Moreroa(Speaker )	477 548	215 146	692 694
D Lehong	447 702	192 834	640 536
D Matlou	188 908	106 569	295 477
L Moabelo	188 908	106 569	295 477
P T Rathete	242 432	124 411	366 843

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## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>40. Related Parties (continued)</b>		
MP Makgato	188 908	106 569
N G Makgalo	188 908	106 569
M Tawana	249 764	126 855
C Matjee	188 908	106 569
Rampyapedi NF	447 702	192 834
M A Kobo	249 764	126 855
A Makgoka	188 908	106 569
M Malema	188 908	106 569
N W Seakamela	447 702	192 834
M Duba	188 908	106 569
P T Rakimane	188 908	106 569
M I Mohafe	188 908	102 867
R L Mpati	188 908	106 569
M J Manthata	188 908	106 569
P S Masoga	188 908	106 569
M J Leferela	188 908	106 569
N S Ramukhubedi	188 908	106 569
S E Kobola	188 908	106 569
T Raphaswana	188 908	106 569
M D Meso	188 908	106 569
G M Sepheso	188 908	106 569
M D Marutha	188 908	106 569
M P Tloubatatla	188 908	106 569
S R Nakana	188 908	106 569
N Mhopane	188 908	106 569
	<b>7 982 135</b>	<b>4 079 294</b>
		<b>12 031 429</b>

### 41. Budget vs Actual comparison variances explanations

#### STATEMENT OF FINANCIAL PERFORMANCE

#### 41.1 Service Charges

The process of converting all the municipal customers to prepaid electricity meters lead to the reduction in electricity usage and the implementation of the credit control and the debt collection procedures restricted users to utilised electricity in some other occasions as the electricity was disconnected

#### 41.2 Rental of facilities and equipment

Revised Service level agreement with the department of public works lead to the increment on the rental accrual schedule .

#### 41.3 Interest received - debtors

Payment received for long outstanding debtors lead to the reduction in the interest amount billed

#### 41.4 Commission Received

Municipality only account for 30% of revenue.

#### 41.5 Licences & Permits

Departmental system technical challenges lead to the municipality to return clients in several occasions which caused a serious reduction in revenue.

#### 41.6 Other Income

The sale of stands was finalised later which lead to the municipality not to sell the properties before end of the financial year.

#### 41.7 Interest received - external investment

The Municipality had less excess cash to invest as expected



## Molemole Local Municipality

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### Notes to the Financial Statements

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#### Budget differences (continued)

**41.8 Traffic Fines**

Two municipal traffic vehicle has technical challenges during the financial year which lead to traffic officers shifts to be reduced from two to one shift

**41.9 Employee Related Cost**

Vacant post not filled

**41.10 Depreciation and amortisation**

WIP projects transferred to complete

**41.11 Debt Impairment**

Impairment budget was only inclusive of municipal service related debtors excluding cdm impairment

**41.12 Bulk Purchases**

The municipality estimated less usage of electricity taking into account the removal of electricity meters and replacement by prepaid meters

**41.13 Contracted Services**

Repairs and maintenance budget (R8.7mil) was included in the contracted services budget

**41.14 General Expenses**

Repairs and maintenance budget (R8.7mil) was included in the contracted services budget .

**41.15 Loss on disposal of assets**

The auction took place in April 2019 and the municipality adjustment budget for 2018/2019 was done in February 2019 and therefore the municipality did not budget for the auction.

**41.16 Loss on Actuarial valuation**

Actuarial reports were not available at the time of compiling the reports and the municipality did not budget for the loss.

#### STATEMENT OF FINANCIAL POSITION

**41.17 Inventories**

Stock on hand is higher due to less request of inventory and more purchased .

**41.18 Receivables from exchange transactions**

Long outstanding debts were collected during the financial year and the conversion of electricity meters

**41.19 Receivables from non- exchange transactions**

The payments received for property rates lead to the reduction in debts. interest billed is lower than the estimated due to the debtors amount received during the year

**41.20 Vat receivable**

Not budgeted but corrected on the budget for 2019/2020 budget

**41.21 Current Portion of Long term Receivables**

The municipality does not have long term receivables

**41.22 Cash and cash equivalents**

The sale of stands did not realize

**41.23 Intangible assets**

Fewer intangible assets acquired

**41.24 Finance lease obligation current**

Current and Long term portion of finance lease budgeted under finance lease obligation current.

# Molemole Local Municipality

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Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

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### Budget differences (continued)

**41.25 Payables from exchange transactions**

Most of the payments were done before year end which lead to the outstanding invoices to be less

**41.26 Unspent conditional grants and receipts**

The municipality projected that it will spend all conditional grants at year end

**41.27 Other current liability**

The municipality projected that the unallocated receipts should have been resolved before the end of the financial year and the balance remaining has been disclosed as other current liability. The unallocated amount was not budgeted for as it was anticipated that the amount will be cleared from the system

**41.28 Current Employee Benefits**

Current employee benefit was budgeted as part of non-current employee benefits

**41.29 Non-Current Finance lease obligation**

Current and Long term portion of finance lease budgeted under finance lease obligation current..

**41.30 Non-Current Employee benefit obligation**

Current employee benefit was budgeted as part of non-current employee benefits

**41.31 Revaluation Reserve**

The land and buildings properties were revalued and the accumulated depreciation due to the increase in carrying values were credited to the revaluation reserve.



# Molemole Local Municipality

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## Notes to the Financial Statements

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### Budget differences (continued)

#### CASH FLOW STATEMENT

##### 41.32 Sale of goods and services

Implementation of credit control and Debt Collection procedures which includes the follow up on long outstanding debts for the previous financial years. The sale of stands process was finalised later which lead to the municipality not to sold the properties before the end of the financial year.

##### 41.33 Interest received - external investment

The municipality had less excess cash to invest as expected

##### 41.34 Purchase of property, plant and equipment

The municipality underspend of the budget is mainly due to vat portion which is part of the budget whereas the expenditure is excluding vat (R7m)

##### 41.35 Proceeds from sale of PPE

The municipality did not budget for the sale of council assets via auction.

##### 41.36 Purchase of intangibles

The budget for the purchase of intangible assets is part of the Purchase of property plant and equipment (40.45)

##### 41.37 Finance lease receipts

The budget for the purchase of intangible assets is part of the Proceeds for sale of PPE (40.46)

##### 41.38 Cash and cash equivalents at the beginning of the year

The audited actual cash at the end of June 2018 were more than anticipated .

#### 42. Cash generated from operations

Surplus for the year	18 924 315	41 758 195
<b>Adjustments for:</b>		
Depreciation and amortisation	8 931 839	7 861 221
(Gain) / loss on sale of assets and liabilities	1 550 539	(102 235)
Interest income	-	(1 575 122)
Actuarial (Gains)	-	(1 472 458)
Debt impairment	-	2 465 270
Movements in long term provisions and retirement benefit liabilities	2 234 674	863 141
Movements in current provisions and retirement benefits	711 525	1 119 141
<b>Changes in working capital:</b>		
Inventories	(33 524)	(24 439)
Receivables from exchange transactions	(224 561)	5 833 672
Other receivables from non-exchange transactions	(6 096 453)	(22 314 907)
Payables from exchange transactions	1 755 953	3 909 335
VAT	(2 632 379)	(2 224 800)
Unspent conditional grants and receipts	(2 042 331)	(16 731 332)
Consumer deposits	600	1 077
Other current liability	(146 458)	984 699
	<b>22 933 739</b>	<b>20 350 458</b>

#### 43. Cashflow Statement Receipts - Sale of goods and services

Service Charges - Electricity	8 018 108	8 300 884
Service Charges - Refuse removal	1 852 784	1 763 228
Interest earned - Outstanding debtors	1 066 848	1 138 975
Commission Received	673 187	634 476
Property Rates	14 572 846	16 184 010
Traffic Fines	759 662	1 008 500
Rental of facilities and equipment	456 493	346 468

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	2019	2018
<b>43. Cashflow Statement Receipts - Sale of goods and services (continued)</b>		
Licenses and permits	3 517 122	2 508 607
Other Income	257 775	315 892
Movement in receivables from exchange transactions	(224 561)	5 833 672
Movement in receivables from non exchange transactions	(6 096 453)	(22 314 907)
Provision for Bad Debts	(4 662 472)	(1 325 169)
Movements in Consumer deposits	600	1 077
	<b>20 191 939</b>	<b>14 395 713</b>

### 44. Cashflow Statement Receipts - Grants

Government grant and subsidies	177 221 330	167 951 928
Movements in Unspent conditional grants	(2 042 330)	(16 731 332)
	<b>175 179 000</b>	<b>151 220 596</b>

### 45. Cashflow Statement Payments - Suppliers

Employee related costs	(77 451 727)	(67 607 676)
Remuneration of councillors	(12 328 370)	(12 031 429)
Actuarial Gains/(Loss)	(1 537 201)	1 472 458
Bulk Purchases	(9 419 063)	(9 172 581)
Contracted services	(27 401 824)	(15 909 210)
General Expenses	(46 854 332)	(46 445 824)
Movements in Payables from exchange transactions	1 755 953	3 909 335
Movements in VAT receivable	(2 632 379)	(2 225 800)
Movements in Other current liability	(146 458)	984 699
Movements in Employee Benefit - Current	(161 081)	537 766
Movement in Employee Benefit - Non Current	2 395 755	(360 871)
Movement in Provisions - Non current	711 525	1 224 012
Movement in Inventories	(33 524)	(24 375)
	<b>(173 102 726)</b>	<b>(145 649 496)</b>

### 46. Financial instruments disclosure

#### Categories of financial instruments

Financial Assets	Classification	2019	2018
<b>Investments</b>			
Fixed Deposit	Held to maturity	-	-
<b>Consumer Debtors</b>			
Trade receivables from exchange transactions	Financial instruments at amortised cost	4 259 248	5 200 585
Trade receivables from non-exchange transactions	Financial instruments at amortised cost	62 271 509	56 175 056
Call Deposits	Financial instruments at amortised cost	19 371 738	41 580 814
<b>Bank Balances and Cash</b>			
Cash Floats and Advances	Financial instruments at amortised cost	1 983	(3 022)
<b>Summary of Financial Assets</b>		<b>-</b>	<b>85 904 478</b>
			<b>102 953 433</b>

Financial Liability	Classification	2019	2018
<b>Long-term Liabilities</b>			
Finance Lease Liability	Financial instruments at amortised cost	251 676	513 306
<b>Trade Payables</b>			
Trade Creditors	Financial instruments at amortised cost	21 105 906	19 349 953
<b>Bank Balances and Cash</b>			
Bank Balances	Financial instruments at amortised cost	19 373 721	41 577 792
<b>Current Portion of Long-term Liabilities</b>			
Annuity Loans	Financial instruments at amortised cost	-	-



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## Notes to the Financial Statements

Figures in Rand	2019	2018	
<b>46. Financial instruments disclosure (continued)</b>			
Finance Lease Liability	Financial instruments at amortised cost	261 630	196 522
<b>Summary of Financial Liability</b>	-	<b>40 992 933</b>	<b>61 637 573</b>
<b>47. Profit/(Loss) on disposal of Assets</b>			
Loss on sale of council assets via auction		1 491 946	102 235
Profit / (Loss) on write-off of council assets as per council resolution		(58 593)	-
		<b>1 433 353</b>	<b>102 235</b>
<b>48. Actuarial Gains / (Losses)</b>			
Actuarial Gains (Loss) on Long Service Bonus		(357 746)	-
Actuarial Gains / (Loss) on Post-employment Health Care Benefits		(1 179 455)	1 472 458
		<b>(1 537 201)</b>	<b>1 472 458</b>
<b>49. Commitments</b>			
<b>Capital Commitments</b>			
Already contracted for but not provided for Infrastructure		4 146 311	14 170 429
		<b>4 146 311</b>	<b>14 170 429</b>
This expenditure will be financed from:			
• Government Grants		4 146 311	14 170 429
		<b>4 146 311</b>	<b>14 170 429</b>
<b>Operating Commitments</b>			
Already contracted for but not provided for Operating Expenditure		27 784 305	6 481 198
		<b>27 784 305</b>	<b>6 481 198</b>
Not yet contracted for and authorised by accounting officer Own Revenue		27 784 305	6 481 198
		<b>27 784 305</b>	<b>6 481 198</b>
<b>Total commitments</b>			
<b>Total commitments</b>			
Capital Commitments		4 146 311	14 170 429
Operating Commitments		27 784 305	6 481 198
		<b>31 930 616</b>	<b>20 651 627</b>
<b>50. Contingencies</b>			

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### Notes to the Financial Statements

Figures in Rand	2019	2018
<b>50. Contingencies (continued)</b>		
Contingent Liability	4 526 269	3 244 637
Contingent Asset	2 997 550	600 000

For more information see supplementary schedule 2 attached

#### 51. Change in estimate

##### Property, plant and equipment

The useful life of certain other property plant and equipment was estimated in 2018 to be 5 years. In the current period management have revised their estimate to 7 years. The effect of this revision has decrease the depreciation charges for the current period by R 1 610 812 and increase the future periods by R 1 610 812

#### 52. Prior period errors

The correction of the error(s) results in adjustments as follows:

### Statement of Financial Position

<b>Receivables from exchange transactions</b>	5 200 585
Balance previously reported	1 140 101
CDM debtors provision write back (70%) as per service level agreement	(62 073)
CDM debtors correction as per CDM reconciliation	(1 625 281)
CDM debtors commission write back (70%) as per service level agreement	(618 645)
National Treasury incorrectly raised as a debtor now corrected	4 034 687
Restated Balance	
<b>Cash and Cash Equivalents</b>	41 577 792
Balance previously reported	3 342
Petty cash expenditure over allocated to expenditure	41 581 134
Restated Balance	
<b>Payables from exchange transactions</b>	19 819 336
Balance previously reported	(469 383)
National Treasury creditor incorrectly raised	19 349 953
Restated Balance	
<b>Employee benefits - Current</b>	6 716 510
Balance previously reported	1 000
Post-employment Health Care Benefits current portion partially calculated	6 717 510
Restated Balance	
<b>Employee benefits - Non Current</b>	6 663 822
Balance previously reported	(48 389)
Post-employment Health Care Benefits current term portion part of Non current	6 615 433
Restated Balance	
<b>Accumulated Surplus - 2017</b>	(191 557 241)
Balance previously reported	618 645
National Treasury incorrectly raised as a debtor now corrected	(469 383)
National Treasury creditor incorrectly raised	(191 407 979)
Restated Balance	

### Statement of Financial Performance



# Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

2019

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### 52. Prior period errors (continued)

#### Commissions received

Balance previously reported

2 321 830

CDM debtors provision write back (70%) as per service level agreement

(1 625 281)

CDM debtors correction as per CDM reconciliation

(62 073)

Restated Balance

634 476

#### Employee related costs

Balance previously reported

67 655 065

Post-employment Health Care Benefits current term portion part of Non current

(47 389)

Restated Balance

67 607 676

#### Debt Impairment

Balance previously reported

2 465 270

CDM debtors provision write back (70%) as per service level agreement

(1 140 101)

Restated Balance

1 325 169

#### General Expenses

Balance previously reported

(46 449 166)

Petty cash expenditure over allocated to expenditure

3 342

Restated Balance

(46 445 824)

### Cashflow Statement

#### Surplus for the year

Balance previously reported

42 254 717

CDM debtors provision write back (70%) as per service level agreement

(1 625 281)

Post-employment Health Care Benefits current term portion part of Non current

48 389

CDM debtors provision correction (70%) as per service level agreement

1 140 101

CDM debtors correction as per CDM reconciliation

(62 073)

Restated Balance

41 755 853

#### Debt Impairment

Balance previously reported

2 465 270

CDM debtors provision correction (70%) as per service level agreement

(1 140 101)

Restated Balance

1 325 169

#### Movements in long term provisions and retirement benefits liabilities

Balance previously reported

911 530

Post-employment Health Care Benefits current term portion part of Non current

(48 389)

Restated Balance

863 141

#### Receivables from exchange transactions

Balance previously reported

5 286 419

Adjustments to exchange transactions

1 165 898

National Treasury incorrectly raised as a debtor now corrected

(618 645)

Restated Balance

5 833 672

### Notes to the Financial Statements

#### Receivables from exchange transactions - Other debtors National Treasury (Note8)

Balance previously reported

1 117 245

National Treasury incorrectly raised as a debtor now corrected

(618 645)

Restated Balance

498 600

#### Receivables from exchange transactions - Other debtors CDM (Note8)

# Molemole Local Municipality

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Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>52. Prior period errors (continued)</b>		
Balance previously reported	3 112 867	
CDM debtors provision write back (70%) as per service level agreement	(488 614)	
CDM debtors correction as per CDM reconciliation	(62 073)	
CDM debtors commission write back (70%) as per service level agreement	(1 625 281)	
Restated Balance	<u>936 899</u>	
<b>Payables from exchange transactions - National Treasury creditor (Note 18)</b>		
Balance previously reported	(469 383)	
National Treasury creditor incorrectly raised	469 383	
Restated Balance	<u>-</u>	
<b>Employee benefits - Non-Current (Note 6)</b>		
Balance previously reported	6 663 822	
Post-employment Health Care Benefits current term portion part of Non current	(48 389)	
Restated Balance	<u>6 615 433</u>	
<b>Employee benefits - Current portion of post retirement benefits (Note 17)</b>		
Balance previously reported	47 389	
Post-employment Health Care Benefits current portion partially calculated	1 000	
Restated Balance	<u>48 389</u>	
<b>Employee related costs - Defined contribution plan (Note 29)</b>		
Balance previously reported	600 475	
Post-employment Health Care Benefits current term portion part of Non current	(47 389)	
Restated Balance	<u>553 086</u>	
<b>General Expenses -Cleaning materials (Note 34 )</b>		
Balance previously reported	381 280	
Petty cash expenditure over allocated to expenditure	(3 342)	
Restated Balance	<u>377 938</u>	
<b>Cash and cash equivalents - Cash on hand (Note 11 )</b>		
Balance previously reported	(3 022)	
Petty cash expenditure over allocated to expenditure	3 342	
Restated Balance	<u>320</u>	



# Molemole Local Municipality

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Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

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### 52. Prior period errors (continued)

### 53. Prior year adjustments

#### Reclassifications

The following reclassifications adjustment occurred:

#### MSCOA implementation

The municipality has implemented the MSCOA and the expenditure line items has been reclassified as follows: The repairs and maintenance and Audit committee expenses was previously disclosed under general expenses but has now moved to contracted services.

#### Statement of financial performance

	Originally reported	Mscoa Category Re-Classifications	Restated balance 2018
General Expenses	(46 445 824)	7 109 216	(39 336 607)
Contracted services	(15 909 210)	(7 109 216)	(23 018 426)
	<b>(62 355 034)</b>	<b>-</b>	<b>(62 355 033)</b>

#### General Expenses

	Originally reported	Mscoa Category Re-Classifications	Restated balance 2018
COIDA	539 371	(539 371)	
Cleaning materials		7 566	7 566
Audit Committees Expenses	374 635	(374 635)	-
Repairs and maintenance	6 187 644	(6 187 644)	-
	<b>7 101 650</b>	<b>(7 109 216)</b>	<b>(7 566)</b>

### 54. Risk management

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	21 105 906	-	-	-
Other financial liabilities	1 663 337	-	-	-
<b>At 30 June 2018</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>

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## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>54. Risk management (continued)</b>		
Trade and other payables	19 349 953	-
Other financial liabilities	1 809 795	-

### Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

Balances past due not impaired:

<b>Non-Exchange Receivables</b>	2019 Percentage	2019 Amount	2018 Percentage	2018 Amount
Rates	100%	79 212 051	100%	69 523 515
	<b>100%</b>	<b>79 212 051</b>	<b>100%</b>	<b>69 523 515</b>
<b>Exchange Receivables</b>	2019 Percentage	2019 Amount	2018 Percentage	2018 Amount
Electricity	26.16%	3 401 310	46.90%	6 721 078
Refuse	69.14%	8 987 795	49.90%	7 151 365
Other	4.70%	610 576	4.2%	447 381
	<b>100%</b>	<b>12 999 681</b>	<b>100%</b>	<b>14 319 824</b>

No receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note & of the financial statements is an approximation of its fair value. Interest on overdue balances (rates) are included at 15% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

<b>Non-Exchange Receivables</b>	2019 Percentage	2019 Amount	2018 Percentage	2018 Amount
Rates	100%	18 575 246	100%	20 833 233
	<b>100%</b>	<b>18 575 246</b>	<b>100%</b>	<b>20 833 233</b>
<b>Exchange Receivables</b>	2019 Percentage	2019 Amount	2018 Percentage	2018 Amount
Electricity	26.16%	2 966 011	33.3%	2 618 253
Refuse	69.14%	7 837 541	39.2%	3 082 818



# Molemole Local Municipality

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## Notes to the Financial Statements

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### 54. Risk management (continued)

Other

4.70%	532 435	27.5%	2 165 107
100%	11 335 987	100%	7 866 178

The municipality only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (NEDBANK). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

### Interest rate risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

### Foreign exchange risk

The municipality does not engage in foreign currency transactions.

### Price risk

The municipality is not exposed to price risk

### 55. Events after the reporting date

There are no material events after the reporting date which requires disclosure:

### 56. Unauthorised expenditure

Unauthorised expenditure	1 433 680	16 720 220
Add : Unauthorized expenditure - Current Year	5 490 066	1 433 680
Less Amounts written off by council	(1 433 680)	(16 720 220)
	<b>5 490 066</b>	<b>1 433 680</b>

### 57. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	240 982	192 385
Add: Fruitless and wasteful expenditure - Current Year	40 916	48 597
Less : Amount written off by council	(240 982)	-
	<b>40 916</b>	<b>240 982</b>

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### 57. Fruitless and wasteful expenditure (continued)

Fruitless and wasteful expenditure relates to interest charged on the late payments on the Telkom, Eskom and AG account.

### 58. Irregular expenditure

Opening balance	3 519 568	3 978 140
Add: Irregular Expenditure - current year	-	54 162
Less : Amount written off by council	(3 519 568)	(512 734)
	<u>-</u>	<u>3 519 568</u>

### 59. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	859 190	964 750
Amount paid - current year	(859 190)	(964 750)
	<u>-</u>	<u>-</u>

#### Audit fees

Current year subscription / fee	3 173 130	2 459 558
Amount paid - current year	(3 173 130)	(2 459 558)
	<u>-</u>	<u>-</u>

#### PAYE and UIF

Current year subscription / fee	14 350 814	12 648 269
Amount paid - current year	(14 350 814)	(12 648 269)
	<u>-</u>	<u>-</u>

#### Pension and Medical Aid Deductions

Current year subscription / fee	12 624 872	11 240 361
Amount paid - current year	(12 624 872)	(11 240 361)
	<u>-</u>	<u>-</u>

#### VAT

VAT receivable	13 830 772	12 708 367
VAT payable	-	(1 509 974)
	<u>13 830 772</u>	<u>11 198 393</u>

All VAT returns have been submitted by the due date throughout the year.

#### Councillors' arrear consumer accounts

During the year from July 2018 to June 2019 year no Councillors had arrear accounts outstanding for more than 90 days because most of the councillors are staying in rural areas.

#### Supply chain management regulations



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### Notes to the Financial Statements

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#### 59. Additional disclosure in terms of Municipal Finance Management Act (continued)

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

##### Incident

Sole supplier

3 769 473

1 899 495

**3 769 473**

**1 899 495**

The detailed deviation register is available in the municipality for review.

#### 60. Distribution Losses

##### Electricity Distribution Losses (Units)

Units Purchased

7 366 690

7 270 509

Units Sold

5 360 169

5 661 886

Units Loss

2 006 520

1 608 628

Percentage distribution Loss

27%

22%

Electricity Purchased

9 419 063

9 172 581

Electricity Sold

8 018 108

8 300 884

Electricity Loss

1 400 955

871 697

Percentage distribution Loss

15%

10%

# Molemole Local Municipality

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## Supplementary Information

### 1. Schedule of Contingent Liabilities - Refer Note 38

Name of Legal Rep	Litigation	Nature of Dispute	Status	Progress	Projected Estimates June 2019	Projected Estimates 2018
SC Mdhuli Attorneys Tel : 015 291 5440	NFM Consulting	NFM claiming R447 000 for work done and interdicting the Municipality against appointment of Consultant on Ramokgopa-Eisleben Road	Pending	The Municipality opposed the application and the matter is pending	447 000	100 000
SC Mdhuli Attorneys 015 291 5440	Sinthumule Nkhumeleni	Claim for unlawful confiscation and impounding of the Plaintiff's vehicle alleging lack of necessary permit. The Plaintiff is claiming loss of income of R 100,000, plus 9% interest per annum and cost of suit.	Pending	Pleading Closed	100 000	100 000
AM Carrim Attorneys 015 293 1700	Badau Film & Video productions	Claim for damages of and loss of income amounting to R1 560 841-10 after The Plaintiff hired the Ramokgopa Stadium for an event and the event could not take place due to the unavailability of electricity	Pending	Pre Trial Conference attended and matter has been dormant	1 560 841	150 000
SC Mdhuli Attorneys 015 291 5440	Hlako	Action - Counter Claim on recovery of undue performance bonus after Mr Hlako as the Municipal Manager unduly paid himself the performance bonus	Pending	Had a consultation with the instructed attorney on issues of date and he advised that he will attend to make a fresh application for trial date in view of the current application taking forever.	300 000	100 000
SC Mdhuli Attorneys 015 291 5440	Illegal Occupants	Interdict illegal occupants at Mogwadi portion of portion 2 of the remaining extent of the farm Deutschland 69	Finalized	Court order served by sheriff and illegal activities have stopped	0	70 000
SC Mdhuli Attorneys 015 291 5440	Rambuda Nditsheni Joseph	Claim for unlawful confiscation and impounding of the Plaintiffs vehicle alleging lack of necessary permit. The plaintiff claiming loss of income of R100000 plus 9 % interest per annum and cost of suit	Pending	Pleadings closed	100 000	100 000

\* See Note 52



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None	D G Department of Labour	Motion proceedings for mandatory order in the Labour Court due to failure by the Municipality to adhere to provisions of the Employment Equity Act and to further penalise the Municipality for an amount in the margin of R1 500 000.00	Pending	Proceeding have been stayed to allow settlement discussions	1 500 000	1 500 000
None	Roman Catholic Church	Eviction and the Municipality cited as interested party. The Roman Catholic Church in Fatima is evicting the unlawful occupiers of properties situated on its land.	Finalized	Prepared a report and attended court where on matter was finalized	0	100 000
Mohale Incorporated 015 291 3645		Applicant and the 1st Respondent are having a dispute over a Permission To Occupy that was issued by the 1st and 2nd Respondents	Pending	No Development on the mater	0	100 000

### 1. Schedule of contingent liabilities ( Continue ) - refer note 38

Name of Legal Rep	Litigation	Nature of Dispute	Status	Progress	Projected Estimates June 2019	Projected Estimates 2018
Pratt Lytt & De Lange Attorneys 015 297 0186	Mabohlatjan Community	Urgent interdict against CDM Molemole cited over the land portion 2 of the remaining extent of the farm Deutschland 169 where the applicant want to be restored	Pending	Municipality cited as second respondent and main relief from CDM in the portion 2 of the farm Deutschland 169 LS	0	60 000
None	GA Mohale CPA / HD Du Preeze Boedary	Claim for evicting HD Du Preeze by Ga Mohale CPA	Pending	The municipality is cited as the land falls within its jurisdiction . The municipality is ordered to provide alternative accomodation for the people staying in the farms	0	50 000
Mohale Incorporated tel 015 291 3645		Municipality requested legal opinion on whether its obligated to pay SAMRO annual fees in terms of the Copyright Act	Pending	Responder to letter demand	87 247	87 247
SC Mdhuli Attorneys tel 015 291 5440	Hlako	Action - recovery of rental and Eviction over a house that is being owned by the Municipality	Pending	Furnished Attorney with a copy of the deed search to assist with proving ownership of the house in question	0	100 000

\* See Note 52

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None	Selaelo Patrick Mailula / Wouter Ras	Eviction and the Municipality cited as interested party. The Applicant was evicting the 1st Respondent who is his former employee	Finalized	Matter heard on 02/05/2018 as 1st Respondent was evicted	0	100 000
None	Mapula Lillian Mathibela/ Shadi moloto	Eviction and the Municipality cited as interested party. The Applicant is evicting the 1st Respondent in an RDP House she (Applicant) was approved and built by CoGHSTA in 2000. The Applicant never took occupation of the house ever since the allocation and the Municipality allocated the house to the 1st Respondent's mother. The Applicant surfaced in 2017 with an application to evict the 1st Respondent	Pending	Matter before court on 23/07/2018	0	100 000
Mohale Incorporated tel 015 291 3645	Sedima Business Enterpirses	Served with simple summons based on failure to pay for work done after Plaintiff alleges that it entered into an SLA with the Municipality in January 2017 with regard to the Integrated Transport Plan	Pending	Filed Notice to depend and appointed attorneys	305 000	305 000
None	Pothole Cover	Letter of demand on damages as a result of pothole on the road in the amount of R970	Respnded to letter of demand	Awaiting prescription to run	970	970
None	Akani Retirement Administration Fund	Letter of demand - recieved a letter of demand from Joubert Attorneys on behalf of Akani Retirement Aministration fund demanding payment of pension fund of a municipal employee	Pending	Have to respond to letter of demand	125 211	0

\* See Note 52

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Pratt Lytt & De Lange Attorneys 015 297 0186	Mabohlatjana Community	Motion proceedings for a declaratory order in the Land Claims Court to have a letter written by a Regional Land Claim Commissioner in 2003 declared to be an award for land and for the Municipality to be ordered to give estimates for servicing the land to the Department of land Reform and Restitution . Opposed the matter and filed answering papers	Pending	Motion proceedings Eviction matter which involves a land occupier and his employees Awaiting new date of hearing	0	100 000
None	Nkhotheleni Business Enterprise	Served with Combined summons based on failure to pay for work done after Plaintiff alleges that it was invited to submit a quotation for catering and décor for a municipal function though same was carried out without a work order.	Finalized	Matter dismissed in Court	0	21 420
					<b>4 526 269</b>	<b>3 244 637</b>

\* See Note 52



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## Supplementary Information

### 2. Schedule of Contingent Assets (refer note 38)

Name of Legal Rep	Litigation	Nature of Dispute	Status	Progress	Projected Estimates June 2019	Projected June
Mdhuli Attorneys 015 291 5440	Hlako	Municipality issued summons for recovery of undue performance bonus paid	Pending	Had a consultation with the Instructed Attorney on issues of date and he advised that he will attend to make a fresh application for trial date in view of the current application taking forever	106 021	1
Mdhuli Attorneys 082 802 8439	Hlako	Action- Recovery of Rental and Eviction over a house that is owned by the municipality	Pending	Furnished Attorney with a copy of the deed search to assist with proving ownership of the house in question	100 000	1
Mdhuli Attorneys 082 802 8439	Illegal Occupants at Mogwadi	Interdict illegal occupants at Mogwadi portion of the remaining extent of the farm Deutschland 169	Finalised	Court order served by sherrif and illegal activities have stopped	0	
Pratt Lytt & De Lange Attorneys 015 297 0186	Matebele Dinare	Municipality issued summons for recovery of unjustified enrichment	Pending	Parties in settlement talks	2 791 530	
Pratt Lytt & De Lange Attorneys 015 297 0186	PW Mokgehele and others	Eviction of unlawful occupation from municipal land	Finalized	Awaiting Taxation	0	1
					<b>2 997 550</b>	<b>6</b>

\* See Note 52